

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 IO-13 ADP-00 AGR-20 CIAE-00 COME-00

INR-10 LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02

OMB-01 L-03 AID-20 NSC-10 SS-15 CEA-02 IGA-02 RSR-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5637

INFO USMISSION GENEVA

LIMITED OFFICIAL USE NEW DELHI 8337

E.O. 11652: N/A

TAGS: ETRD IN

SUBJECT: TEXTILE NEGOTIATIONS

REF: A) GENEVA 3203; B) STATE 128085; C) STATE 138498

1. DURING COURSE OF CONVERSATION WITH ONE OF MY OFFICERS YESTERDAY, S. NARASIMHAN, BAGCHI'S DEPUTY IN COMMERCE MINISTRY, SAID THAT GOI WAS WAITING FOR RESPONSE TO AN INQUIRY IT HAD MADE OF ITS WASHINGTON EMB BEFORE RESPONDING TO OUR TEXTILE OFFER. GOI IS ASKING CLARIFICATION IF INDIA WILL RECEIVE COMMITMENT FOR ALLOCATION OF 25 MILLION SQUARE YARDS OF MAN-MADE FIBERS AS PART OF US OFFER. NARASIMHAN ADDED THAT EVEN AFFIRMATIVE RESPONSE WOULD NOT ASSURE INDIAN ACCEPTANCE OF OUR GENEVA OFFER. INDIA CANNOT FILL A 25 MILLION SQUARE YARD QUOTA OF MAN-MADE TEXTILES. CURRENT STATE OF INDIAN INDUSTRY GIVES IT POSSIBILITY OF EXPORTING PERHAPS 10 MILLION SQUARE YARDS TO US. GOI WOULD LIKE TO MERGE MAN-MADE QUOTA WITH COTTON TEXTILES QUOTA INTO ONE OVER-ALL QUOTA. ALTERNATIVELY, GOI WOULD ACCEPT 175 MILLION SQUARE YARD QUOTA FOR COTTON TEXTILES AND A SEPARATE MAN-MADE TEXTILES QUOTA.

2. EMBOFF SAID HE, OF COURSE, WITHOUT NEGOTIATING AUTHORITY

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AND UNABLE INDICATE LIKELY US REACTION, BUT NOTED THAT WE VIEWED

OUR OFFER IN GENEVA AS GENEROUS.

3. I WOULD HOPE THE INDIAN POSITION ON THIS MATTER BE VIEWED IN THE LIGHT OF THEIR CURRENT EFFORTS TO PURCHASE GRAIN IN THE UNITED STATES. I SPOKE OF THIS MATTER WITH PRME MINISTER GANDHI ONLY YESTERDAY MORNING.

A. IF INDIA CAN CARRY FORWARD ITS PRESENT INTENTION, IT WILL SPEND \$600 MILLION ON GRAIN IN THE NEXT FEW WEEKS, NEARLY ALL OF IT IN THE UNITED STATES. THIS WOULD BE INCOMPARABLY THE LARGEST SUCH PURCHASE INDIA HAS EVER MADE. IT WOULD REQUIRE ONE-HALF OF HER CURRENT FOREIGN EXCHANGE RESERVE. THERE IS A RATHER SHARP LIMIT TO THE NUMBER OF TIMES ANY COUNTRY CAN DO THAT AND, IN PRACTICE, THE LIMIT FOR INDIA WILL BE ONCE UNLESS THERE IS A CONSIDERABLE INCREASE IN INDO-AMERICAN TRADE ACROSS THE BOARD.

B. THE PRESIDENT'S STATE OF THE WORLD MESSAGE EXPLICITLY LOOKS FORWARD TO A DIALOGUE BETWEEN THE TWO COUNTRIES ON TRADE, AND PRIME MINISTER GANDHI HAS EXPLICITLY AGREED TO BEGIN SUCH TALKS. I MENTIONED TEXTILES TO HER AS ONE AREA IN WHICH THE UNITED STATES HOPES TO BE ABLE TO ENLARGE THE INDIAN SHARE OF ITS MARKET, NOTING THAT MR. JURICH AND HIS COLLEAGUES WERE HERE IN NEW DELHI TO DISCUSS THAT ONLY LAST MONTH.

C. INCREASED TRADE WAS ALSO THE SUBJECT OF MY ONLY MAJOR SPEECH SINCE ARRIVING FIVE MONTHS AGO. I, IN EFFECT, CHALLENGED INDIA TO ENLARGE ITS SHARE OF THE AMERICAN MARKET SIMPLY BY ENLARGING ITS SHARE OF THE GROWTH IN THAT MARKET EACH YEAR.

D. WHAT ARE WE TO BUY FROM INDIA? THERE ARE ALL TOO FEW ITEMS THAT INDIA DOES WELL THAT WE NEED IN QUANTITY. ONE SUCH HAPPENS TO BE COTTON TEXTILES. THE POINT IS THAT THE INDIANS ARE PREPARED TO PAY HARD CASH FOR FOOD TO KEEP THEIR PEOPLE ALIVE THIS AUTUMN. HOWEVER, THEY ARE NOT GOING TO BE ABLE TO GO ON DOING SO UNLESS WE BUY SOMETHING BACK FROM THEM.

4. I WOULD NOT EXPECT THAT YOU WOULD FIND MANY AMBASSADORS WHO ARE MORE SYMPATHETIC TO THE PROBLEMS OF THE AMERICAN TEXTILE INDUSTRY AND THE AMERICAN CLOTHING INDUSTRY THAN I. AS AN ASSISTANT SECRETARY OF LABOR, I WAS ONE OF THE THREE PERSONS WHO NEGOTIATED THE LONG-TERM LIMITED OFFICIAL USE

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COTTON TEXTILE AGREEMENT FOR PRESIDENT KENNEDY IN 1962. I BELIEVED IN WHAT I WAS DOING AT THE TIME, AND BELIEVED THAT THE PROGRAM AND PRACTICES WE BEGAN THEN CONTINUED TO BE VALID. HOWEVER, THERE IS A LIMIT TO THE LEGITMACIES OF QUOTA RESTRAINTS ON TRADE AND I BELIEVE WE HAVE REACHED THAT LIMIT WITH INDIA. WE HAVE HERE AN EXTREMELY POOR NATION WHICH DESPERATELY NEEDS TO BUY AMERICAN FOOD. I JUST CANNOT SEE ON WHAT GROUNDS WE SHOULD CONTINUE TO SERIOUSLY RESTRICT THEIR ABILITY TO SELL ONE OF THE FEW MANUFACTURES IT IS

CAPABLE OF PRODUCING IN ANY SIGNIFICANT QUANTITY AT COMPETITIVE PRICES OR THE AMERICAN MARKET. I DO NOT CLAIM EXACT KNOWLEDGE, BUT MY IMPRESSION IS THAT THE TEXTILE INDUSTRY IS DOING WELL IN THE UNITED

STATES, AND OBVIOUSLY THE ADMINISTRATION IS STRUGGLING DESPERATELY WITH THE PROBLEM OF INFLATION. HENCE I CANNOT SEE ON WHAT FURTHER GROUNDS WE PREVENT THE AMERICAN CONSUMER FROM BUYING LOW-PRICED COTTON TEXTILES.

5. IN A WORD, I THINK WE SHOULD BE MAKING A MUCH MORE GENEROUS OFFER TO INDIA THAN WE HAVE DONE. I WOULD OFFER THEM A MINIMUM OF 200 MILLION SQUARE YARDS IN RETURN FOR THEIR SUPPORT OF A MULTI-FIBER AGREEMENT. WE NEED THAT SUPPORT. AND IN A COMPLEX SET OF WAYS WE NEED THAT TRADE TOO.

I REMIND THE DEPARTMENT WHAT IT HAS OBVIOUSLY CROTSEVER# FORGOTTEN, WHICH IS THAT WE WENT OVER TO GENEVA IN 1962 TO GET THAT LONG-TERM COTTON TEXTILE AGREEMENT SOLELY AS A PRECONDITION OF OBTAINING SUPPORT FOR THE TRADE EXPANSION ACT. THE PRESIDENT'S OBJECT WAS NOT TO RESTRAIN TRADE BUT TO EXPAND IT. THERE WERE SOME NATIONS AGAINST WHICH WE HAD GENUINE AND LEGITIMATE GRIEVANCES, THEN AS NOW. INDIA IS NOT AND WAS NOT ONE OF THESE NATIONS. IF THESES DESPERATE PEOPLE ARE GOING TO BE ABLE TO BUY \$600 MILLION OF AMERICAN GRAIN, WE DAMN SURE SHOULD BE ABLE TO LET THEM SELL US SOME COTTON GOODS IN EXCHANGE.

MOYNIHAN

NOTE BY OC/T: # AS RECEIVED, WILL BE SERVICED UPON REQUEST.

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